

**VIRGINIA PUBLIC BROADCASTING BOARD  
RICHMOND, VIRGINIA**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2002**



## **AUDIT SUMMARY**

Our audit of the Virginia Public Broadcasting Board for the year ended June 30, 2002, found:

- the accompanying financial statement is presented fairly in accordance with the cash basis of accounting;
- no material weaknesses in the internal control over financial reporting; and
- no instances of noncompliance with material laws and regulations tested.

- TABLE OF CONTENTS -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORT:

Report on Financial Statement

Report on Compliance and on Internal Control over Financial Reporting

FINANCIAL STATEMENT:

Cash Basis Statement of Revenue Collected, Expenses Paid, and  
Changes in Cash Balance - General Fund

Notes to the Financial Statement

BOARD MEMBERS

October 25, 2002

The Honorable Mark R. Warner  
Governor of Virginia

The Honorable Kevin G. Miller  
Chairman, Joint Legislative Audit  
and Review Commission

Board Members  
Virginia Public Broadcasting Board

We have audited the accounts and records of the **Virginia Public Broadcasting Board** (Board) as of and for the year ended June 30, 2002, and submit herewith our complete reports on the financial statement and compliance and internal control over financial reporting.

#### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT

We have audited the accompanying cash basis financial statement of the Virginia Public Broadcasting Board, an agency of the Commonwealth of Virginia, as of and for the year ended June 30, 2002, as listed in the Table of Contents. This financial statement is the responsibility of the Board's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Virginia Public Broadcasting Board prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than the generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material aspects, the cash balances of the Virginia Public Broadcasting Board as of June 30, 2002, and the revenues collected and expenses paid for the year then ended on the basis of accounting described in Note 1.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statement of the Virginia Public Broadcasting Board as of and for the year ended June 30, 2002, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Virginia Public Broadcasting Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

EXIT CONFERENCE

We discussed this report with management on October 25, 2002.

AUDITOR OF PUBLIC ACCOUNTS

KHS/kva  
kva:32

VIRGINIA PUBLIC BROADCASTING BOARD  
CASH BASIS STATEMENT OF REVENUE COLLECTED, EXPENSES PAID, AND  
CHANGES IN CASH BALANCE - GENERAL FUND  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2002

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenue:			
Appropriations from the General Fund of the Commonwealth of Virginia	\$ 11,124,103	\$ 11,121,603	\$ (2,500)
Total revenue	11,124,103	11,121,603	(2,500)
Expenditures:			
Financial assistance for educational telecommunications	3,406,870	3,403,986	2,884
Financial assistance for special education instruction	165,612	169,711	(4,099)
Financial assistance for public broadcasting	4,451,621	4,447,553	4,068
Total expenditures	8,024,103	8,021,250	2,853
Other financing uses:			
Transfer to Department of Treasury (see Note 3)	(3,100,000)	(3,100,000)	-
Reversion to the General Fund of the Commonwealth	-	(353)	(353)
Excess of revenue over expenditures	-	-	-
Cash balance, Beginning of year	-	-	-
Cash balance, End of year	\$ -	\$ -	\$ -

The accompanying Notes to Financial Statement are an integral part of this statement.

# VIRGINIA PUBLIC BROADCASTING BOARD

## NOTES TO THE FINANCIAL STATEMENT

AS OF JUNE 30, 2002

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

The Virginia Public Broadcasting Board (the Board) was created by Chapter 35.2, Title 2.1, of the Code of Virginia. The Board supports television and radio public broadcasting for the education, public awareness, entertainment, and economic benefit of the Commonwealth's citizens.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Board is an agency of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

#### B. Fund Accounting

The General Fund is the operating fund of the Board. It is used to account for all appropriations from the General Fund of the Commonwealth. General operating expenses are paid through this fund.

#### C. Basis of Accounting

Basis of accounting is the concept that determines the timing of revenue and expenditure recognition and reporting in the financial statements. The financial statements of the Board are maintained on the cash basis of accounting, reflecting only revenues received and expenditures paid. Therefore, receivables and payables, inventories, and equipment and depreciation, which are not material in amount, are not reflected, and these statements do not present the overall financial position or results of operations of the agencies. The statements are presented on the cash basis of accounting, which demonstrates compliance with the budget laws of the Commonwealth of Virginia.

Appropriations from the Commonwealth are recorded when measurable and deemed available by the State Comptroller to finance operations during the fiscal year. Appropriations are authorizations to spend funds from the General Fund of the Commonwealth and have been reported as revenue available to the Board. All appropriations which have not been disbursed by the end of the fiscal year are unexpended and revert to the General Fund of the Commonwealth.

#### D. Budgets and Budgetary Accounting

The Board's budget was established by the Appropriation Act as enacted by the General Assembly of Virginia for the biennium ended June 30, 2002. No payments can be made out of the state treasury, except in pursuance of appropriations made by law.

The budget is prepared principally on the cash basis. Budgeted amounts reported in the financial statements are as originally appropriated to the Board, net adjustments authorized by the General Assembly.

## 2. APPROPRIATIONS

The original appropriation for the General Fund has been adjusted as follows:

Original appropriation	\$11,398,916
Appropriation adjustments:	
Three percent budget reduction	(274,813)
Prepay fiscal year 2003 budget reductions	<u>(2,500)</u>
Appropriation as adjusted	<u>\$11,121,603</u>

## 3. NOTE PAYABLE

The Board's note payable of \$21,960,000 is for the conversion of Virginia's public television stations to the Federal Communication Commission's new digital standard. The note proceeds were used to make grants to public television corporations for the purchase of equipment to convert to this standard. The promissory note is with the Industrial Development Authority of the City of Harrisonburg and was made from their Tax-Exempt Variable Rate Demand Revenue Bonds, Series 2000, issued August 1, 2000. The final principal payment is due in 2011. The following schedule provides the annual principal payment requirements at June 30, 2002.

Year Ending	
<u>June 30,</u>	<u>Principal</u>
2003	\$ 1,955,000
2004	2,055,000
2005	2,175,000
2006	2,290,000
2007-2011	<u>13,485,000</u>
Total	<u>\$21,960,000</u>

Interest on the loan is variable and dependent on the market; however, the Board has purchased a ceiling rate agreement for five years whereby the interest rate cannot exceed 5.0 percent.

While the obligation of the debt remains with the Board, the responsibility for the payment of the principal and interest for the note has been transferred to the Treasury Board. The appropriation of \$3,100,000 for principal and interest payments for this debt originally appropriated to the Virginia Public Broadcasting Board has also been transferred to the Treasury Board.

## 4. SURETY BOND

Certain employees of the Department of General Services are responsible for maintaining the accounting records of the Board. Such employees were covered under a Faithful Performance Blanket Position Bond with coverage in the amount of \$50,000 for each employee with a deductible



clause of \$2,500 for each loss, and an Excess Faithful performance Blanket Bond with coverage in the amount of \$450,000 for each loss in excess of the coverage as provided by the aforementioned bond, both with the Fidelity and Deposit Company of Maryland as surety.

VIRGINIA PUBLIC BROADCASTING BOARD  
Richmond, Virginia

BOARD MEMBERS

As of June 30, 2002

John W. Hunter, Chairman

By Appointment

John David Cave	David M. Hummel
Adrian Cronauer	Donald M. Moon
Edward W. Early	Benjamin W. Robertson
Dee E. Floyd	S. Strother Smith III
Ruth S. Hawkins	Irving B. Taylor, Jr.

By Virtue of Office

Ann Marie Morgan	Sandra Rusak
G. Paul Nardo	Kirk T. Schroeder